

**MONTANA DEPARTMENT OF JUSTICE**  
**GAMBLING CONTROL DIVISION**  
**BIENNIAL REPORT**  
Fiscal Years 2003 and 2004



**AND**  
**REPORT OF THE**  
**2003-2004**  
**GAMING ADVISORY COUNCIL**  
**NOVEMBER 2004**

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# MONTANA DEPARTMENT OF JUSTICE

## GAMBLING CONTROL DIVISION

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## PUBLIC POLICY OF MONTANA CONCERNING GAMBLING

MCA-23-5-110. Public policy of state concerning gambling.

(1) The legislature finds that for the purpose of ensuring the proper gambling environment in this state it is necessary and desirable to adopt a public policy regarding public gambling activities in Montana. The legislature therefore declares it is necessary to:

(a) create and maintain a uniform regulatory climate that assures players, owners, tourists, citizens, and others that the gambling industry in this state is fair and is not influenced by corrupt persons, organizations, or practices;

(b) protect legal public gambling activities from unscrupulous players and vendors and detrimental influences;

(c) protect the public from unscrupulous proprietors and operators of gambling establishments, games, and devices;

(d) protect the state and local governments from those who would conduct illegal gambling activities that deprive those governments of their tax revenues;

(e) protect the health, safety, and welfare of all citizens of this state, including those who do not gamble, by regulating gambling activities; and

(f) promote programs necessary to provide assistance to those who are adversely affected by legalized gambling, including compulsive gamblers and their families.

(2) The legislature adopts the policy that an applicant for a license or permit or other department approval under parts 1 through 8 of this chapter does not have a right to the issuance of a license or permit or the granting of the approval sought. The issuance of a license or permit issued or other department approval granted pursuant to the provisions of parts 1 through 8 of this chapter is a privilege revocable only for good cause. A holder does not acquire a vested right in the license or permit issued or other department approval granted. A license or permit issued under parts 1 through 8 of this chapter may not be sold, assigned, leased, or transferred.

(3) Revenue to fund the expense of administration and control of gambling as regulated by parts 1 through 8 of this chapter must be derived solely from fees, taxes, and penalties on gambling activities, except the gambling activities of the Montana state lottery and the parimutuel industry.

23-5-11. Construction and application.

In view of Article III, section 9, of the Montana constitution, parts 1 through 8 of this chapter must be strictly construed by the department and the courts to allow only those types of gambling and gambling activity that are specifically and clearly allowed by those parts.

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# EXECUTIVE SUMMARY

The Gambling Control Division (GCD) of the Department of Justice was created in 1989 to provide uniform enforcement of gambling activity. This executive summary highlights the division's activities in 2003 and 2004.

**AARS** -The Gambling Control Division signed a contract in September 2000 with Lodging and Gaming Systems (LGS) of Reno, Nevada, to develop an automated accounting and reporting system (AARS). After months of delay, the division filed a lawsuit against LGS in June 2001. In June 2002, the division and LGS entered into a settlement agreement under which LGS was to complete the system. LGS failed the tests for the system and stopped work on the system, and the lawsuit was reinstated in 2003. LGS filed for Chapter 11 bankruptcy protection in December 2003. To establish a claim as a creditor in the bankruptcy proceedings, the division entered into a settlement agreement with LGS, pending completion of the bankruptcy proceedings, for \$550,000.

The 2003 Legislature eliminated the remaining funding for development of AARS. The division contracted with a consultant (BearingPoint) to develop recommendations related to future technology to be considered for the video gambling industry. The report recommended that the division concentrate on developing systems that will allow web-based or other electronic reporting of video gambling taxes and web-based registration of video gambling machines. The division will propose legislation and funding for a web-based system to the 2005 Legislature.

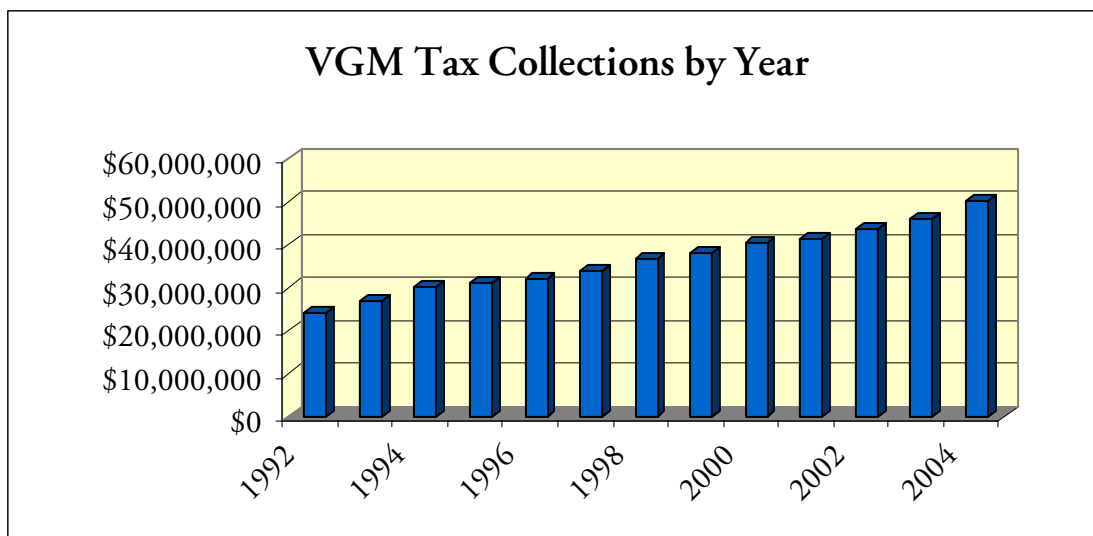
**Multi-Game Agreements** - The 2003 Legislature authorized the Gambling Control Division to enter into agreements to allow video gambling machine owners to have keno and poker on the same machine if the owner agreed to connect to the new system. The multi-game software had been authorized by the 1999 Legislature as an incentive to connect to the AARS. However, because of delays in developing the system, the 2003 Legislature authorized the division to allow the multi-game software for video gambling machine owners who agreed to connect to a future system. The division developed rules and a multi-game agreement and, by November 2004, over 60% of gambling operators had signed multi-game agreements. The division will propose legislation in the 2005 Legislature that will allow web entry or other electronic reporting to meet the requirement to connect to AARS.

**Review of Tribal Gaming Compact Process** - The division supported a subcommittee of the Gaming Advisory Council in conducting a number of meetings with Indian Tribes to discuss ways to improve the process for negotiating gaming compacts. The tribes generally voiced the opinion that the executive branch has not been willing to negotiate in a way that recognizes the sovereignty of each tribe and the goals of the Indian Gaming Regulatory Act. State negotiators indicated that the legislature has not delegated to the executive branch the authority to negotiate compacts that are unrestricted by existing state law. As a result, the Gaming Advisory Council has recommended legislation to provide clear delineation of the negotiating authority of the governor and the legislature.

During fiscal years 2003 and 2004, no new gaming compacts were completed. Negotiations were conducted with the Crow Tribe, the Sioux and Assiniboiné Tribes of the Fort Peck Reservation, the Chippewa and Cree Tribes of the Rocky Boy Reservation and the Gros Ventre and Assiniboiné Tribes of the Fort Belknap Reservation. Minor amendments and short-term extensions were negotiated with the Crow Tribe and the Sioux and Assiniboiné Tribes of the Fort Peck Reservation.

**Improvements to the Liquor and Gambling License Process** – The 2003 Legislature passed Senate Bill 40, which authorized a combined application form and process, and minimized the differences between liquor and gambling licensing requirements. The legislation also required all applicants to submit fingerprints for background checks. The division and the Department of Revenue implemented new procedures and reports to track the time needed to process liquor and gambling applications. The two agencies now use the same data-base and management reports to track the progress of applications through the process.

**Gambling Revenue** - Video gambling machine tax revenues continued to show growth during fiscal years 2003 and 2004. Gross machine income increased 5.8% in fiscal year 2003 and 8.5% in fiscal year 2004.



**Stabilization of Gambling Special Revenue Account** - In recent years, the division and the Legislative Fiscal Analyst predicted that the Gambling Special Revenue Fund would run out of money as expenditures from the fund exceeded revenues. The fund covers the costs of operating the division and other related costs in the Department of Justice. In fiscal year 2002, the division had to curtail operational expenditures and reduce staff because the fund was running out of money. The 2003 Legislature provided a \$20 increase in video gambling machine permit fees to keep the fund solvent. As a result, the fund ended fiscal year 2004 with a balance of just over \$700,000.



**Poker Resurgence** - As a result of a national resurgence of interest in live poker, the division has experienced a significant increase in applications for card dealer licenses which, increased from 208 card dealer applications in FY 2003 to 375 in fiscal year 2004. In the same period, the number of live card table permits increased from 199 to 240.

**Gaming Advisory Council** – During the 2003-2004 Biennium, the Council met six times. The meetings were held around the state, with two meetings in Helena and Missoula, and one meeting in Great Falls and Billings.

The Council assisted in the development of legislation to:

- ❖ update the automated accounting and reporting system statutes,
- ❖ clearly delegate authority to negotiate gaming compacts with Indian Tribes,
- ❖ define Internet gambling as an illegal gambling activity, and
- ❖ generally revise gambling laws to eliminate conflicting provisions and enact minor changes.

The full report of the Gaming Advisory Council can be found in Section Seven.



# A SHORT HISTORY OF GAMBLING IN MONTANA

Montana's 1889 Constitution made all forms of gambling illegal. However, illegal gambling always existed in some local jurisdictions. In the 1930s and 1940s, the legislature legalized certain limited forms of gambling. The 1949 Legislature and the attorney general declared a "law enforcement emergency" to crack down on illegal gambling. In 1950, the State Supreme Court ruled that slot machines and punchboards were illegal under the state Constitution.

In 1972, Montana voters approved a new Constitution that allowed the legislature to approve specific gambling activities. The 1973 Legislature legalized bingo, raffles, card games and sports pools. In 1976, the State Supreme Court ruled that video keno was a form of bingo, which marked the beginning of video gambling. The legislature added video poker to keno in 1985 and, in 1986, voters approved a state lottery. The legislature enacted a 15% tax on video gambling machines in 1987.

Prior to 1989, responsibility for regulating most forms of gambling in Montana rested with local governments. This decentralized system resulted in an inconsistent application of the law regarding gambling activities in the state. Some cities and counties vigorously controlled gaming within their boundaries while other jurisdictions took a more relaxed stance. A consistent approach to gambling regulation was nonexistent.

The 1989 Legislature centralized gambling regulation under the Department of Justice. Statutory duties assigned to the department included adopting administrative rules, licensing gambling providers and activities, collecting and distributing gambling taxes, testing and approving video gambling machines, and enforcing gambling laws. The attorney general, as head of the department, created the Gambling Control Division to assume these duties. The Lottery and Board of Horseracing are not under the control of the division.

Over the past decade, GCD has been involved in efforts to develop a video gambling machine central monitoring system. The major events in that effort are listed below:

- ❖ 1994 Legislative Audit recommended the development of a central monitoring system for video gambling machines.
- ❖ 1999 Legislature authorized and approved funding for an automated accounting and reporting system (AARS).
- ❖ 2000 Division entered into a contract with Lodging Gaming Systems of Reno, Nevada to develop a system.
- ❖ 2001 GCD sued LGS for failure to deliver the system.
- ❖ 2002 A settlement was reached that required LGS to deliver AARS for testing in September 2002. The system that was delivered failed to meet the required specifications.
- ❖ 2003 The division reinstated its lawsuit.
  - The 2003 Legislature eliminated the remaining funding for development of the AARS.
  - LGS filed for Chapter 11 bankruptcy.
  - In order to establish a claim as a creditor in the bankruptcy proceedings, GCD entered into a settlement agreement with LGS for \$550,000.



# TYPES OF GAMBLING UNDER DIVISION JURISDICTION

The Gambling Control Division's jurisdiction extends to all forms of gambling except the Montana Lottery and horse racing.<sup>1</sup> The following sections describe the games regulated by the division:

**V**ideo Gambling Machines. A video gambling machine is an electronic gambling device that, when a player inserts cash, plays poker, keno or bingo. The machines use a video display and microprocessors and, by the skill of the player, by chance, or both, the player may win free games or credits that may be redeemed for cash.

**L**ive Card Games. Montana law authorizes 10 card games: bridge, cribbage, hearts, panguingue, pinochle, pitch, poker, rummy, solo and whist. These are non-banking card games in which players bet against and settle with each other, rather than betting against and settling with the house. Banked card games such as blackjack are prohibited by law.

**L**ive Bingo. Live bingo is played on a card bearing a printed design of five columns of five squares each. The letters B-I-N-G-O must appear above the design, with each letter above one of the columns. No more than 75 numbers may be used. One number must appear in each square, except for the center square, which may be considered a free play. Numbers are randomly drawn using authorized equipment until the game is won by the person or people who first cover a previously designated arrangement of numbers on the bingo card.

**L**ive Keno. Live keno is played with a card containing eight horizontal rows and 10 columns on which a player may pick up to 10 numbers. A keno caller, using authorized equipment, selects at random at least 20 numbers out of the numbers between one and 80, inclusive. A player may win prizes by matching some or all of the numbers selected.

**S**ports Pools. In a sports pool, a participant wagers money for a chance to win cash or other prizes based on the outcome of a sports event or series of sports events in which the competitors are people or animals. Legal variations of sports pools include: traditional, series, multiple way, selected point, blackout, weekly sweepstakes, and multiple competitor sports pools.

**S**ports Tab Games. A sports tab game is conducted on a card with 100 sports tabs attached.<sup>2</sup> Each tab has a pair of numbers. A person may purchase a sports tab from the card for a chance to win cash or other prizes based on the outcome of a sports event. Winners are determined by matching the appropriate numbers on a participant's sports tab with the only or last digit of the competitor's score at the end of the sports event or, if designed before the event by the game's sponsor, at intervals during the event.

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<sup>1</sup> The Montana Lottery and horse racing are under the jurisdiction of the Montana Lottery Commission and the Board of Horse Racing, respectively.

<sup>2</sup> A sports tab is a folded or banded ticket with a face covered to conceal a combination of two numbers, with each number ranging from zero through nine.

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## SECTION THREE

**R**affles. In a raffle, a participant purchases a ticket for a chance to win a prize through a random selection process. Raffles are regulated by the county commission in the county where the raffle is conducted.

**C**alcutta Pools. A Calcutta pool is a form of auction pool conducted in conjunction with an event involving more than two competitors. Participants in the pool bid on the event's competitors, and a participant's wager is equal to his or her bid. The highest bid "purchases" the competitor, and the prizes are divided among participants according to a competitor's performance in the event. A portion of the proceeds from a calcutta may be used to cover administrative expenses, pay prizes or for a charitable cause.

**C**asino Nights. A casino night is a fund-raising event conducted by a nonprofit organization. Wagers are made in certain gambling activities using imitation money. Only live card games that are legal in the state, live bingo, live keno, and raffles may be conducted during a casino night.

**F**antasy Sports Leagues. A limited number of people or groups pay an entrance fee for membership in a fantasy sports league. Each league member creates a fictitious team composed of athletes from a given professional sport. Each team then competes against the other teams in the league. Points are awarded to a team according to the performance of individual players or teams or both during a designated time period. A member may be eligible to receive a payout, which may be in cash or merchandise, based on the number of points accumulated.

**S**hake-a-Day. Once each day, a customer may wager an amount of money, not to exceed 50 cents, and shake a number of dice in an attempt to roll a certain combination simulating a poker hand predetermined by the establishment. If the combination is rolled, the customer wins all the money paid to play the game since the last winning combination was rolled.

**S**haking for Drinks or Music. A customer shakes or chooses one or more dice, alone or with an owner or employee of an establishment, to determine whether the customer or the establishment will pay for the customer's drink or pay a predetermined amount of money, not to exceed \$2, for music from a jukebox.

**F**ishing Derbies. Two or more people pay for an opportunity to win a prize for the species, size, weight or otherwise specified fish caught in a fishing event.

**W**agering on Natural Occurrences. People pay for an opportunity to win a prize by most accurately predicting the date and time of an event resulting from an activity related to the weather or climate.



# ORGANIZATION AND ACTIVITIES OF THE GAMBLING CONTROL DIVISION

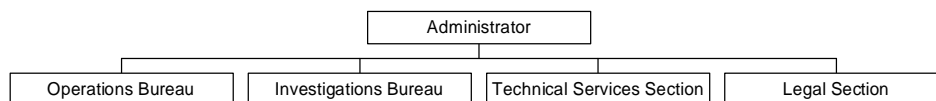
Most of the division's staff and resources go toward regulating and taxing video gambling machines. The division also is responsible for investigating applicants for liquor and gambling licenses and any related illegal activity. Liquor licenses account for half of the work of the licensing and investigation staff. The division was authorized 45.5 full time equivalent staff for fiscal year 2004. At the end of the fiscal year, the division had 44.5 of the authorized positions filled.

## PROGRAM INDICATORS

The following table sets out the program indicators as presented in the Executive Budget for the 2006 Biennium.

	FY 2002	FY 2003	FY 2004	FY 2005
				(estimated)
VGM Tax Collected	\$43.8M	\$46.1M	\$50.1M	\$52.0M
Gambling Permits Issued	20,864	20,844	20,510	19,800
Liquor/Gambling Investigations	703	796	926	926

The following chart indicates the organizational structure of the Gambling Control Division:



The Division Administrator manages the division's overall operations. In addition to management responsibility, the Administrator coordinates state negotiations related to tribal gaming compacts and the activities of the Gaming Advisory Council.

## OPERATIONS BUREAU

The Operations Bureau is responsible for most of the centralized functions of licensing operators as well as collecting and auditing taxes. In addition, the Operations Bureau is responsible for financial analysts in the field who assist in evaluating license applications and investigations.

The License and Tax Section provides the following services:

- processes and issues gambling licenses and permits, including video gambling machine permits;
- collects and distributes license and permit fees;
- maintains all license records;
- collects gambling taxes, fines and penalties; and
- processes machine service forms and tracks machine movement in the state.

## SECTION FOUR

The Audit Section consists of revenue agents located in Missoula, Billings, Great Falls and Helena. The Audit Section provides the following services:

- assists in licensing applicants by conducting financial background reviews;
- conducts field tax audits; and
- provides support to the Investigation Bureau in interpreting and analyzing documents related to suspected illegal gambling activities.

## **INVESTIGATIONS BUREAU**

The Gambling Investigation Bureau consists of seven field offices, which are organized into two regions, each managed by a regional supervisor. Field offices are located in Kalispell, Missoula, Glasgow, Great Falls, Billings and Bozeman.

The responsibilities of the Investigation Bureau include:

- investigating illegal gambling activity;
- investigating video gambling machine tampering, theft and burglary;
- conducting background checks of applicants for a gambling or liquor license;
- conducting investigations of alleged violations of state gambling and liquor statutes, and administrative rules;
- conducting routine inspections of licensed establishments;
- inspecting proposed gambling establishments;
- evaluating variations of legal gambling activities submitted for approval, and
- providing local law enforcement training.

During fiscal year 2004, the Investigations Bureau filled two vacant investigator positions, one each in the Kalispell and Missoula field offices.

## **TECHNICAL SERVICES SECTION**

Technical Services Section personnel are based in Helena with the exception of two Machine Inspectors in Billings and Missoula. The Technical Services Section serves as the primary technical resource for approving and testing video gambling machines. Major responsibilities of the Technical Services Section include:

- testing video gambling software and hardware to be licensed for sale;
- testing, installation and support of the Automated Accounting and Reporting System;
- support of the GCD data base for gambling and liquor licenses;
- local area network support;
- video gambling machine field testing and inspection, and tracking the movement of illegal machines in and out of the state.



## LEGAL SERVICES

One attorney is assigned to the Gambling Control Division but is administratively attached to the Office of the Attorney General. A division secretary provides clerical assistance. The attorney's focus is primarily on administrative action against licensees who violate Montana's gambling laws and rules, and on representing the division in administrative proceedings. In addition, the division attorney may assist local county attorneys with gambling-related cases that fall within local jurisdictions. If county attorneys decline prosecution of a criminal case, the division attorney may prosecute the case.

# GAMBLING REVENUE AND PERMIT FEES

**Video Gambling Machine Gross Income Tax** – The Video Gambling Machine Gross Income Tax is the most significant source of gambling revenue. This tax is applied to the income from keno and poker video gambling machines. Gross machine income is the total receipts from a machine, less the machine's cash payouts.

In fiscal year 2004, the Video Machine Gross Income Tax generated \$50.1 million for the General Fund. The amount generated in fiscal 2004 represented a 8.5% increase over the amount collected in fiscal year 2003. Tax collections for the first quarter of fiscal year 2005 were only up 9.5% over the first quarter of fiscal year 2004. Appendix A provides statistics on Video Machine Gross Income Tax collections.

**Other Gambling Taxes** – In addition to the Video Machine Gross Income Tax, the Division collects taxes on two other gambling activities:

- ❖ Live bingo/keno is taxed at the rate of 1% of gross proceeds and all of the tax is distributed to local government.
- ❖ Sports tab cards are taxed at a flat rate of \$1 per card and the division retains all of the tax.

**Permit Fees** – The Gambling Control Division also collects a number of fees related to licensing gambling activities. (See Appendix B)

The most significant permit fee is the \$220 per year basic fee for each video gambling machine. Prior to fiscal year 2004, the permit fee was split 50% to local governments and 50% to the State Gambling Special Revenue Fund. With the passage of House Bill 162 in the 2003 Legislature, the fee was split to provide \$100 to local governments and \$120 to the State Gambling Special Revenue Fund. In fiscal year 2004, video gambling machine permit fees provided the Gambling Special Revenue Fund with \$2,259,389.

The 2003 Legislature added a \$20 surcharge to permit fees for video gambling machines in locations with more than 20 video gambling machines and a \$10 surcharge in locations with less than 20 machines. The proceeds of the permit fee surcharge are deposited to the General Fund and provided \$273,275 in fiscal year 2004.

The number of video gambling machine permits decreased slightly to 20,844 in fiscal year 2003 from 20,864 issued in fiscal year 2002. Fiscal year 2004 saw another slight decrease in permits to 20,510. The decrease is possibly due to the release of the new multi-game software, which allows multiple games of poker and keno on one video gambling machine.



The Gambling Control Division collects a number of other permit and license fees:

### GAMBLING PERMITS

<u>Activity</u>	<u>Amount of Fee</u>	<u>Distribution</u>	<u>Cite (MCA)</u>
Live Card Game Table	\$250/yr for 1 <sup>st</sup> table \$500/yr for each add'l table <sup>1</sup>	\$100/table retained by Dept. of Justice with remainder to local governments	23-5-306
Live Bingo/Keno	\$250/yr for each premise <sup>2</sup>	100% retained by Dept. of Justice	23-5-407
Video Gambling Machine	\$220/yr for each machine	\$120/machine retained by Dept. of Justice with remainder to local governments	23-5-612
Surcharge	\$10 or \$20/year <sup>3</sup>	100% to General Fund	23-5-612
Live Card Game	\$10/tournament	100% retained by Dept. of Justice	23-5-317
Casino Night	\$25/casino night	100% retained by Dept. of Justice	23-5-705

Chart B-3 in the appendices provides a summary of the revenue collected in relation to fees and permits.

<sup>1</sup> A senior citizen center is exempt from the live card game table fee. (23-5-310, MCA)

<sup>2</sup> An organization qualified for exemption under 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) or a senior citizen center, retirement home, or nursing home is exempt from the live bingo/keno tax (23-5-406 and 410, MCA). A 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) organization qualified for federal exemption after 01/15/89 is exempt from one-half the permit fee. (23-5-406 and 410, MCA)

<sup>3</sup> Per machine, \$10 for locations with less than 20 machines, \$20 for locations with 20 machines.



## GAMBLING LICENSES

All of the following fees are retained by the Department of Justice.

<u>Activity</u>	<u>Amount of Fee</u>	<u>Cite (MCA)</u>
Operator	One-time application fee commensurate with processing costs	23-5-117
Card Dealer	\$75 1 <sup>st</sup> year <sup>1</sup> \$25 to renew	23-5-308
Card Room Contractor	\$150/year	23-5-324
Distributor or Route Operator	Fee commensurate with processing costs plus \$1,000/yr license fee	23-5-128 23-5-129
Manufacturer of Video Gambling Machines	Fee commensurate with processing costs plus \$1,000/yr license fee	23-5-625
Manufacturer of Gambling Devices Not Authorized in Montana	Fee commensurate with processing costs plus \$1,000/yr license fee <sup>2</sup>	23-5-152
Electronic Live Bingo/ Keno Equipment Manufacturer	Fee commensurate with processing costs plus \$1,000/yr license fee <sup>2</sup>	23-5-425
Sports Tab Game Seller	Fee commensurate with processing costs plus \$1,000/yr license fee <sup>2</sup>	23-5-115,502,503

<sup>1</sup> No fee is charged for a 90-day temporary card dealer license. (23-5-308, MCA)

<sup>2</sup> No application processing fee or license fee is charged if the manufacturer-distributor is licensed as a manufacturer-distributor under 23-5-625, MCA. (ARM 23-16-2001)



# TRIBAL COMPACTS

The Indian Gaming Regulatory Act (IGRA) enacted by Congress in 1988 directs the state, upon request of a tribe, to enter into negotiations for the conduct of Class III gaming on Indian Reservations. Class III gaming, as defined under IGRA, includes video gambling machines and other casino-style games. No Class III gaming, by tribal members or nonmembers, can be conducted on the reservation unless a compact is in place.

A team consisting of representatives from the Governor's Office, Attorney General, and the division negotiate state/tribal compacts for the state on behalf of the Governor. The division staff coordinates the negotiations.

A subcommittee of the Gaming Advisory Council conducted a number of meetings with Indian Tribes in 2003 and 2004. The purpose of the meetings was to improve the process for negotiating gaming compacts. The tribes generally voiced the opinion that the executive branch has not been willing to negotiate in a way that recognizes the sovereignty of each tribe and the goals of the Indian Gaming Regulatory Act. State negotiators indicated that the legislature has not delegated to the executive the authority to negotiate compacts that are unrestricted by current state law. As a result of this process, the Gaming Advisory Council has recommended legislation to clearly delineate the negotiating authority of the governor and the legislature.

In existing tribal compacts, the State has negotiated the same types of games that are legal in the state. With regard to conditions of play, the State has allowed \$1,000 to \$1,500 payouts for some video gambling machines and up to 100 video gambling machines to be placed in each tribal premise depending on site-specific circumstances. State licensed facilities are limited to payouts of \$800 and may have no more than 20 video gambling machines.

## Status of compact negotiations:

**Salish & Kootenai Tribes of the Flathead Reservation** – The State and the Tribes entered into a five-year compact in October 2001. The new compact provided an overall ceiling for the number of video gambling machines that could be operated or licensed by the Tribes. The ceiling is equal to the number of machines licensed to non-tribal members by the State. The new compact also provides the Tribes with a payout limit of \$1,500 and a bet limit of \$5.

**Northern Cheyenne Tribe** – The State and the Northern Cheyenne Tribe entered into a new five-year compact in May 2002. The new compact did not change the number of video gaming machines that may be operated by the Tribe, but provided the Tribe with a payout limit of \$1,500. The compact also provides a statement of intent for the State and the Tribe to explore state licensing of tribal gambling off the reservation on land owned by the Tribe.

**Assiniboine & Sioux Tribes of the Fort Peck Reservation** – This compact expired in the Spring of 2002 and has been extended seven times as negotiations continue. Minor amendments have been negotiated to update the compact. The current extension will expire on July 1, 2005.

## SECTION SIX

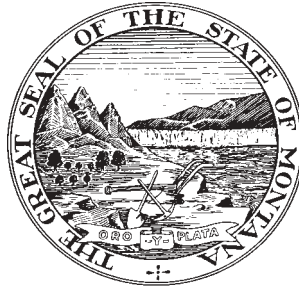
**Chippewa-Cree Tribes of the Rocky Boy's Reservation** – This compact has no fixed expiration date, and negotiations to update the compact started in 2001. There was one negotiation session in 2003.

**Gross Ventre & Assiniboine Tribes of the Fort Belknap Reservation** – No compact has existed with the Gross Ventre & Assiniboine Tribes. In September 2002, the Tribes and the State negotiating team met to begin the negotiation process. No further negotiations have been conducted.

**Crow Tribe** – The compact with the Crow Tribe was scheduled to expire in March 2003. Two negotiation sessions were held in 2003 and 2004. The compact, with minor amendments, has been negotiated and extended until July 1, 2005.

**Blackfeet Tribe** – The compact with the Blackfeet Tribe was terminated in 1997 and negotiations on a new compact have not been initiated.





**2003- 2004 Gaming Advisory Council**  
**Report to the**  
**Department of Justice and the 2005 Legislative Session**

**Council Members**

Senator Dale Mahlum, Missoula, Legislature (Chair)  
John Tooke, Miles City, Gaming Industry (Vice Chair)  
Tim Carson, Billings, Gaming Industry  
Kevin Howlett, Arlee, Native American  
Pam Kennedy, Kalispell, Local Government  
Steve Morris, Helena, Gaming Industry  
Nick Murnion , Jordan, Local Government  
Bill Thomas, Great Falls, Public Citizen  
Representative John Witt, Carter, Legislature

(Mont. Code Ann. §2-15-2021 **Gaming advisory council —allocation—composition—compensation—biennial report.** (1) There is a gaming advisory council. (2) The gaming advisory council is allocated to the department for administrative purposes only as prescribed in 2-5-121. (3) The gaming advisory council consists of nine members. One member must be from the senate, and one member must be from the house of representatives. The senate committee on committees and the speaker of the house of representatives shall appoint the legislative members of the council. The seven remaining members must be appointed by the department, with one representing the public at large, two representing local governments, one being a Native American, and three representing the gaming industry.)

## INTRODUCTION

In 1989, the Montana Legislature adopted Senate Bill 431, a comprehensive revision of the state's gambling laws. Senate Bill 431 centralized regulation and control of all gambling activities, except for the lottery and horse racing, under the Department of Justice. The bill also provided for appointment of the Gaming Advisory Council (GAC).

The statutory duties assigned to the Council are:

- to hold meetings and incur necessary expenses to study all aspects of gambling in Montana;
- to review and comment on administrative rules proposed by the Department; and
- to submit an annual report to the Department of Justice and the Legislature with recommendations regarding the state's gambling laws and the Department's administrative rules and operations.

The GAC consists of nine members: one member each from the Senate and House of Representatives, one public member, two local government representatives, one Native American representative, and three gaming industry representatives. The President of the Senate and the Speaker of the House appoint the legislators to the Council, while the Attorney General selects the remaining members. Each member serves a three-year term.

## SUMMARY OF COUNCIL ACTIVITIES

The leadership of the 2003 Legislature reappointed Senator Dale Mahlum and Representative John Witt to the GAC. Pam Kennedy, Mayor of Kalispell and Nick Murnion, Garfield County Attorney were appointed to replace local government representative who left the GAC. In 2004 the Attorney General reappointed Tim Carson, Kevin Howlett, Pam Kennedy and Bill Thomas to additional 3-year terms. During the 2003-2004 Biennium the GAC met six times. The meetings were held around the state with two meetings in Helena and Missoula, and one in Great Falls and Billings.

Significant activities of the GAC during 2003 and 2004 included:

- A GAC Subcommittee met several times with Montana tribal representatives to better understand tribal concerns about gaming compacts and developed proposed legislation to provide for clear delegation to the Governor of authority to negotiate gaming compacts,
- A GAC Subcommittee met with gaming industry representatives several times to develop updates in laws related to allowable video gambling games and limitations on live bingo,
- The GAC heard recommendations from the BearingPoint consulting firm regarding the future of the "automated accounting and reporting system,"
- The GAC provided public hearing and comments on proposed rules related to the methods of collecting the video gambling permit fee surcharge and the agreement to connect to a future automated accounting system in exchange for multi-game software.



## COUNCIL DELIBERATIONS AND ACTIVITIES

This section provides a summary of each of the Council's meetings during the 2003-2004 biennium. A general account of each meeting is contained in the meeting minutes, which are available on the Gambling Control Division website:

<http://www.doj.state.mt.us/gaming/advisorycouncil.asp>

A summary of each meeting follows:

May 16, 2003 – The organizational meeting was convened in Billings. Senator Mahlum was re-elected GAC Chair and John Took was re-elected Vice Chair. Attorney General Mike McGrath commended the GAC for having all of their proposals approved by the 2003 Legislature. The council discussed issues to be considered over the next 18-month period. Issues to be considered included: new video gambling games, tribal compacts, Internet gambling, problem gambling and the future of the automated accounting and reporting system.

The Council heard comments from gaming industry representatives concerning the need to review the regulations related to new video gambling games.

The Division presented proposed rules to implement legislation enacted by the 2003 Legislature including: rules on fingerprinting, the video gambling machine permit surcharge and multi-game agreements.

October 3, 2003 – The GAC met in Missoula.

The GAC was given background information in relation to the “new games” issues and an explanation of how video gambling games were currently regulated. The GAC was provided with a demonstration of the type of games that are affected by these regulations and the effects that bonus games and free games have on the pay tables. The New Games Subcommittee presented 6 recommendations and asked the Division to conduct a survey of bingo operators to determine the interest in changes in the statutory limits for bingo.

The consultant from BearingPoint made a presentation on his initial analysis of video gambling in Montana and future technology needs.

The GAC heard from Lon Huckert of Bozeman concerning restrictions in current law that do not allow the development of a private laboratory to test video gambling machines and software. The GAC voted unanimously to propose legislation to provide for private testing laboratories.

Rich Miller of the Gaming Industry Association reported on the current status of the Hotline for problem gamblers. The Montana Council on Problem Gambling can no longer get hotline services from Texas and has arranged to obtain services from Delaware.

## SECTION SEVEN

December 3, 2003 - The GAC met in Helena on December 3, 2004. The meeting began with an overview of the Indian Gaming Regulatory Act (IGRA). Tribal representatives were invited to provide testimony on their views of tribal compact negotiations in Montana. Six of the state's seven tribes provided testimony. Tribal representatives commented on a number of subjects but raised concerns that the compact terms imposed by state negotiators had limited the tribes in implementing the goals of IGRA. Tribes also expressed concerns about the state trying to negotiate the same conditions of play for all tribes. Chairman Mahlum appointed GAC members Howlett, Kennedy and Thomas to a subcommittee to work on the issues raised by tribal representatives.

The GAC heard a report from BearingPoint that provided preliminary recommendations for new technology for the Gambling Control Division. The recommendations included:

- 1) improve the existing data base,
- 2) maintain the existing manual tax reporting for small gambling locations,
- 3) provide web entry tax reporting for large independents and small route operators and
- 4) provide electronic reporting for large route operators.

The GAC heard a report from the New Games Subcommittee regarding preliminary recommendations for changes to video gambling machine games and screens.

March 18, 2004 – The GAC met at the Scott Hart Building in Helena. John Tooke chaired the meeting in the absence of Chairman Mahlum. The meeting heard further testimony regarding tribal gaming compacts and began considering legislative concepts for the 2005 Legislative session.

Representatives of the Blackfeet, Northern Cheyenne and Rocky Boy Tribes presented testimony on the need for the state to offer gaming compacts that will give the Tribes more flexibility. The tribes represented at the meeting recommended that legislation be proposed that defines the governor's authority to negotiate.

In relation to the New Games Subcommittee, there was testimony and discussion regarding royalties for patented gaming software. The Gambling Control Division presented an outline of legislation to update the current automated accounting legislation to reflect the BearingPoint recommendations. This subject led to a discussion of the authority for grand-fathered locations to offer the multi-game software.

The GAC provided direction to the Division in developing legislation to clearly prohibit Internet gambling. The Division further reviewed the subjects to be included in a general revision of gambling laws proposal to the 2005 Legislature. John Tooke provided an overview of legislation to provide for fantasy sports to be conducted through the simulcast system.

June 23, 2004 – Great Falls was the site of the June 23, 2004 meeting. The focus of the meeting was proposed concepts for legislation to be presented to the 2005 Legislature. Representative Witt provided a report on a presentation he made to the Rocky Mountain Gaming Summit in Denver. The GAC saw a demonstration and heard a presentation from DigiDeal in relation to its electronic card game equipment.



The GAC took no action on the DigiDeal proposal; however, the Division will work with DigiDeal on legislation to be introduced by a legislative sponsor to be secured by DigiDeal.

The New Games Subcommittee presented and the GAC approved proposed legislation regarding bonus games and additional video poker games. No action was taken on video gambling software royalties or changes to bingo laws.

The Tribal Compact Subcommittee presented a proposal to provide for clear delegation of authority to the governor to negotiate gaming compacts. This proposal was approved by the GAC. Members of the GAC commended the Tribal Compact Subcommittee for the considerable amount of effort put into developing the proposal.

The GAC approved proposed legislation providing a clear prohibition of Internet gambling. The GAC also approved the general revision of gambling laws proposal, without the statute of limitations change. The Council then revisited the automated accounting proposal approved at the March meeting and reaffirmed its position to provide multi-game software to grand-fathered locations.

The Chairman appointed a subcommittee of Steve Morris, Representative John Witt and Nick Murnion to review concerns about field audits and penalties. John Tooke presented his proposal for parimutuel fantasy sports, and the GAC took no action on the proposal. Mr. Tooke will work with his legislative representative to get the proposal introduced in the 2005 Legislature.

October 22, 2004 - Missoula was the site of the final meeting of 2004. The GAC heard a report from the subcommittee appointed to review audits and penalties. The committee recommended that efforts be made to improve the notice to operators of tax reporting errors and recommended that the subcommittee be continued in the next biennium.

Northern Vending made a presentation demonstrating its accounting system that is being developed by Coin Connexion. The presentation was followed by discussion of the Division's plans to update its database so that it can accommodate systems like Coin Connexion.

The GAC devoted the balance of the meeting to reviewing drafts of legislation to be proposed by the Gambling Control Division. After discussion and some minor changes to the legislative proposals, the GAC voted unanimously to approve the following legislative proposals:

- An Act to Amend the Requirements for the Automated Accounting and Reporting System,
- An Act to Define Internet Gambling As an Illegal Gambling Enterprise
- An Act to Delegate Authority to The Governor to Negotiate and Execute Tribal Gaming Compacts
- An Act to Generally Revise Gambling Laws (minor revisions).

Council members recognized and thanked Chairman Mahlum for his work and leadership. Senator Mahlum expressed his appreciation for the work and cooperation of the Council.

*Additional information on the work of the Council, including staff reports, is available through the Gambling Control Division, 2550 Prospect Ave, Helena, Montana 59620.*

## SECTION SEVEN



# Appendix A

## Video Gambling Machine Related Statistics

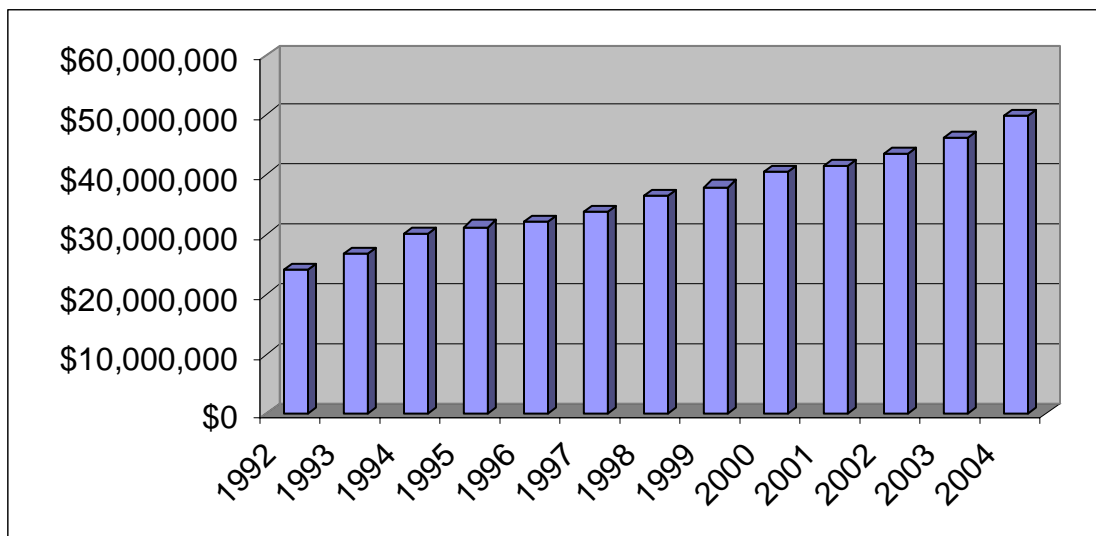


# Appendix A

## Chart 1

### Video Gambling Machine Tax Collections by Quarter

<b>Fiscal Year</b>	<i>First Qtr</i>	<i>Second Qtr</i>	<i>Third Qtr</i>	<i>Fourth Qtr</i>	<b>Total</b>	<b>% Change</b>
1992	\$5,866,027	\$5,906,815	\$6,180,904	\$6,306,192	\$24,259,938	18%
1993	\$6,698,211	\$6,538,173	\$6,560,840	\$7,041,764	\$26,838,988	11%
1994	\$7,451,739	\$7,338,880	\$7,603,432	\$7,658,536	\$30,052,587	12%
1995	\$7,950,043	\$7,748,440	\$7,708,615	\$7,940,884	\$31,347,982	4%
1996	\$8,097,592	\$7,893,431	\$8,013,103	\$8,194,797	\$32,198,923	3%
1997	\$8,492,318	\$8,277,017	\$8,267,308	\$8,771,913	\$33,808,556	5%
1998	\$9,166,429	\$9,212,390	\$8,995,324	\$9,301,819	\$36,675,962	8%
1999	\$9,456,531	\$9,265,010	\$9,393,025	\$9,910,342	\$38,024,908	4%
2000	\$10,067,244	\$9,969,380	\$10,336,838	\$10,198,751	\$40,572,213	7%
2001	\$10,453,723	\$10,031,539	\$10,490,969	\$10,598,692	\$41,574,923	2%
2002	\$10,878,094	\$10,795,923	\$10,866,994	\$11,164,102	\$43,705,113	5%
2003	\$10,930,037	\$11,478,844	\$11,677,029	\$12,047,838	\$46,133,748	6%
2004	\$12,421,994	\$12,147,666	\$12,692,531	\$12,812,244	\$50,074,435	9%



# Appendix A

## Chart 2

### Video Gambling Machines and Establishments by Income Category

Net Income of Establishment	Number of Estab.	Percent of Total	Number of Estab.	Percent of Total	Number of Estab.	Percent of Total	Number of Estab.	Percent of Total
\$0 - \$25,000	222	24%	224	24%	180	21%	195	21%
\$25,001 - \$100,000	292	32%	302	33%	267	31%	282	31%
\$100,001 - \$500,000	279	30%	250	27%	274	32%	271	29%
\$500,001 - 1,000,000	115	12%	131	14%	118	14%	146	16%
\$1,000,001 >	14	2%	19	2%	9	1%	26	3%
<b>Total</b>	<b>922</b>	<b>100%</b>	<b>926</b>	<b>100%</b>	<b>848</b>	<b>100%</b>	<b>920</b>	<b>100%</b>

*Establishments with machines continually operating for 90 days or more in each (4) quarters.*

	FY 2001		FY 2002		FY 2003		FY 2004	
Annual Gross Income Per Machine	Number of VGM's	Percent of Total	Number of VGM's	Percent of Total	Number of VGM's	Percent of Total	Number of VGM's	Percent of Total
\$0 - \$5,000	1,589	17%	1,665	17%	1,242	15%	1,230	13%
\$5,001 - \$10,000	1,786	19%	1,749	18%	1,604	19%	1,544	17%
\$10,001 - \$25,000	3,085	33%	3,188	33%	2,818	33%	2,928	32%
\$25,001 - 50,000	2,205	24%	2,349	24%	2,236	26%	2,432	27%
\$50,001 - 75,000	492	5%	603	6%	516	6%	776	9%
\$75,001 - \$110,000	79	1%	90	1%	105	1%	208	2%
<b>Total</b>	<b>9,236</b>	<b>100%</b>	<b>9,644</b>	<b>100%</b>	<b>8,521</b>	<b>100%</b>	<b>9,118</b>	<b>100%</b>

*Establishments with machines continually operating for 90 days or more in each (4) quarters.*



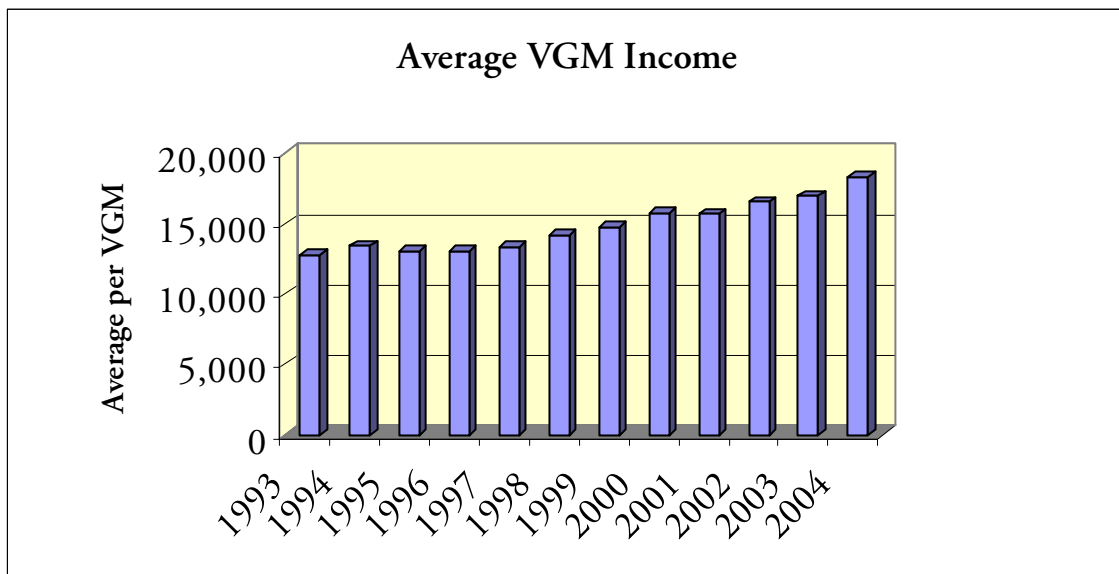
# Appendix A

## Chart 3

### Video Gambling Machine Income Trend

<b>Fiscal Year</b>	<i>Average No. of Machines Reporting</i>	<i>Total Annual Gross Income</i>	<b>Average Annual Gross Income Per Machine</b>
1993	14,047	178,900,000	12,736
1994	14,956	200,300,000	13,393
1995	15,971	209,000,000	13,086
1996	16,458	214,600,000	13,039
1997	16,848	225,300,000	13,373
1998	17,260	244,500,000	14,166
1999	17,132	253,500,000	14,797
2000	17,156	270,500,000	15,767
2001	17,594	275,870,000	15,680
2002	17,558	290,300,000	16,534
2003	18,074	307,200,000	16,997
2004	18,192	333,827,800	18,350

*Represents the average of all machines reporting income divided into total gross income reported.*



# Appendix A

## Chart 4

### Video Gambling Tax by County and City of Collection

JURISDICTION		FY 2003	FY 2004
01	BUTTE - SILVERBOW WALKERVILLE	\$2,753,772 \$10,204	\$3,045,259 \$9,416
02	CASCADE BELT CASCADE GREAT FALLS NIEHART	\$368,124 \$38,702 \$28,443 \$4,640,496 \$1,937	\$405,316 \$30,223 \$28,640 \$5,006,308 \$1,894
03	YELLOWSTONE COUNTY BILLINGS BROADVIEW LAUREL	\$663,322 \$7,613,457 \$1,817 \$460,278	\$713,298 \$8,295,356 \$1,695 \$486,032
04	MISSOULA COUNTY MISSOULA	\$1,143,169 \$3,898,663	\$1,199,897 \$4,300,188
05	LEWIS & CLARK COUNTY EAST HELENA HELENA	\$313,946 \$533,808 \$2,253,503	\$322,052 \$600,448 \$2,518,390
06	GALLATIN COUNTY BELGRADE BOZEMAN MANHATTAN THREE FORKS WEST YELLOWSTONE	\$325,618 \$459,479 \$1,467,490 \$34,598 \$35,037 \$130,545	\$344,275 \$595,736 \$1,584,652 \$33,805 \$44,352 \$157,847
07	FLATHEAD COUNTY COLUMBIA FALLS KALISPELL WHITEFISH	\$1,382,402 \$381,801 \$1,845,122 \$551,157	\$1,474,294 \$420,294 \$1,981,237 \$607,932
08	FREGUS COUNTY DENTON GRASS RANGE LEWISTOWN MOORE WINIFRED	\$23,776 \$5,100 \$2,653 \$470,922 \$2,453 \$2,910	\$23,010 \$5,121 \$3,308 \$468,561 \$1,355 \$3,196



# Appendix A

## Chart 4

### Video Gambling Tax by County and City of Collection

JURISDICTION		FY 2003	FY 2004
09	POWDER RIVER COUNTY	\$250	\$5
	BROADUS	\$43,942	\$52,188
10	CARBON COUNTY	\$182,183	\$181,559
	BEAR CREEK	\$274	\$358
	BRIDGER	\$159,363	\$160,007
	FROMBERG	\$4,476	\$1,875
	JOLIET	\$8,620	\$10,092
	RED LODGE	\$213,735	\$206,659
11	PHILLIPS COUNTY	\$19,399	\$16,683
	DODSON	\$3,783	\$2,619
	MALTA	\$103,042	\$103,743
	SACO	\$8,303	\$7,398
12	HILL COUNTY	\$116,487	\$124,441
	HAVRE	\$856,445	\$967,771
13	RAVALLI COUNTY	\$277,008	\$340,417
	DARBY	\$94,279	\$69,132
	HAMILTON	\$785,642	\$837,714
	STEVENSVILLE	\$70,062	\$62,592
14	CUSTER COUNTY	\$18,463	\$15,847
	MILES CITY	\$711,485	\$761,401
15	LAKE COUNTY	\$145,559	\$185,530
	POLSON	\$393,580	\$482,363
	RONAN	\$246,004	\$250,487
	ST.IGNATIUS	\$10,135	\$9,266
16	DAWSON COUNTY	\$127,917	\$135,629
	GLENDIVE	\$348,705	\$347,885
	RICHEY	\$3,428	\$3,213
17	ROOSEVELT COUNTY	\$180,103	\$168,033
	BAINVILLE	\$75,898	\$98,118
	BROCKTON	\$2,693	\$1,307
	CULBERTSON	\$43,708	\$44,383
	FROID	\$12,238	\$14,493
	POPLAR	\$50,184	\$48,924
	WOLF POINT	\$186,121	\$236,764

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## Chart 4

### Video Gambling Tax by County and City of Collection

JURISDICTION		FY 2003	FY 2004
18	BEAVERHEAD COUNTY	\$31,046	\$29,808
	DILLON	\$284,830	\$310,072
	LIMA	\$5,423	\$4,434
19	CHOTEAU COUNTY	\$13,955	\$5,898
	BIG SANDY	\$36,690	\$26,842
	FORT BENTON	\$47,533	\$44,915
	GERALDINE	\$2,413	\$3,941
20	VALLEY COUNTY	\$112,589	\$111,995
	GLASGOW	\$132,858	\$159,399
	NASHUA	\$5,765	\$5,599
	OPHEIM	\$3,794	\$2,354
	FORT PECK	\$0	\$0
21	TOOLE COUNTY	\$17,904	\$21,617
	KEVIN	\$11,222	\$8,143
	SHELBY	\$261,380	\$307,914
	SUNBURST	\$9,034	\$8,732
22	BIG HORN COUNTY	\$33,617	\$33,725
	HARDIN	\$492,365	\$466,138
23	MUSSELSHELL COUNTY	\$7,967	\$9,805
	MELSTONE	\$1,972	\$807
	ROUNDUP	\$205,707	\$184,389
24	BLAINE COUNTY	\$8,955	\$8,595
	CHINOOK	\$130,628	\$126,340
	CITY OF HARLEM	\$85,794	\$94,632
25	MADISON COUNTY	\$39,879	\$41,634
	ENNIS	\$43,570	\$56,007
	SHERIDAN	\$9,896	\$12,806
	TWIN BRIDGES	\$10,030	\$7,099
	VIRGINIA CITY	\$12,803	\$10,128
26	PONDERA COUNTY	\$20,235	\$25,611
	CONRAD	\$162,510	\$157,994
	VALIER	\$4,551	\$6,201



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## Chart 4

### Video Gambling Tax by County and City of Collection

JURISDICTION		FY 2003	FY 2004
27	RICHLAND COUNTY	\$21,870	\$16,231
	FAIRVIEW	\$130,215	\$132,855
	SIDNEY	\$454,138	\$516,343
28	POWELL COUNTY	\$38,320	\$30,188
	DEER LODGE	\$248,603	\$287,594
29	ROSEBUD COUNTY	\$61,113	\$75,592
	FORSYTH	\$152,426	\$155,914
	COLSTRIP	\$148,290	\$171,434
30	ANACONDA COUNTY	\$585,321	\$661,339
31	TETON COUNTY	\$14,550	\$14,637
	CHOTEAU	\$55,049	\$58,873
	DUTTON	\$10,625	\$8,513
	FAIRFIELD	\$37,132	\$36,360
32	STILLWATER COUNTY	\$114,665	\$103,307
	COLUMBUS	\$240,219	\$289,003
33	TREASURE COUNTY	\$0	-\$336
	HYSHAM	\$1,124	\$3,433
34	SHERIDAN COUNTY	\$8,186	\$41,946
	MEDICINE LAKE	\$9,633	\$8,806
	OUTLOOK	\$262	\$179
	PLENTYWOOD	\$112,548	\$118,528
	WESTBY	\$7,255	\$8,960
35	SANDERS COUNTY	\$104,755	\$110,166
	HOT SPRINGS	\$9,778	\$11,574
	PLAINS	\$114,754	\$134,236
	THOMPSON FALLS	\$172,836	\$191,788
36	JUDITH BASIN COUNTY	\$27,362	\$32,837
	HOBSON	\$7,585	\$3,595
	STANFORD	\$8,440	\$11,066
37	DANIELS COUNTY	\$1,013	\$4,694
	FLAXVILLE	\$2,138	\$2,722
	SCOBEY	\$34,949	\$31,347

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## Chart 4

### Video Gambling Tax by County and City of Collection

JURISDICTION		<i>FY 2003</i>	<i>FY 2004</i>
38	GLACIER COUNTY CUT BANK	\$250 \$374,034	\$510 \$387,727
39	FALLON COUNTY BAKER PLEVNA	\$1,622 \$113,730 \$1,264	\$1,678 \$117,087 \$0
40	SWEET GRASS COUNTY BIG TIMBER	\$42,229 \$59,560	\$67,157 \$69,455
41	MCCONE COUNTY CIRCLE	\$2,957 \$10,340	\$2,556 \$12,910
42	CARTER COUNTY EKALAKA	\$784 \$19,914	\$643 \$23,538
43	BROADWATER COUNTY TOWNSEND	\$110,554 \$162,410	\$119,456 \$186,220
44	WHEATLAND COUNTY HARLOWTON JUDITY GAP	\$49,962 \$30,765 \$4,073	\$64,137 \$31,347 \$3,882
45	PRAIRIE COUNTY TERRY	\$260 \$18,594	\$194 \$17,261
46	GRANITE COUNTY DRUMMOND PHILIPSBURG	\$17,796 \$13,185 \$38,826	\$16,534 \$15,390 \$44,417
47	MEAGHER COUNTY WHITE SULPHUR SPRINGS	\$16,823 \$63,092	\$13,817 \$61,202
48	LIBERTY COUNTY CHESTER	\$895 \$25,242	\$964 \$25,999
49	PARK COUNTY CLYDE PARK LIVINGSTON	\$194,278 \$15,361 \$549,810	\$221,322 \$15,685 \$583,832



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## Chart 4

### Video Gambling Tax by County and City of Collection

JURISDICTION		<i>FY 2003</i>	<i>FY 2004</i>
50	GARFIELD COUNTY	\$1,212	\$882
	JORDAN	\$6,912	\$6,657
51	JEFFERSON COUNTY	\$93,258	\$79,778
	BOULDER	\$86,757	\$87,272
	WHITEHALL	\$97,298	\$106,887
52	WIBAUX COUNTY	\$0	\$0
	WIBAUX	\$72,928	\$83,221
53	GOLDEN VALLEY COUNTY	\$3,087	\$4,183
	RYEGATE	\$9,351	\$11,156
54	MINERAL COUNTY	\$246,868	\$254,777
	ALBERTON	\$35,054	\$39,905
	SUPERIOR	\$125,897	\$148,379
55	PETROLEUM COUNTY	\$0	\$0
	WINNETT	\$5,293	\$2,680
56	LINCOLN COUNTY	\$250,284	\$242,817
	EUREKA	\$108,618	\$134,117
	LIBBY	\$439,408	\$449,224
	REXFORD	\$10,508	\$11,478
	TROY	\$72,116	\$76,522

# Appendix A

## Chart 5

### Number of Video Gambling Establishments and Machines by County and City

For the Period Ending June 30, 2004

	Number of Establishments	Number of Machines
BUTTE/SILVERBOW	106	1073
WALKERVILLE	1	7
TOTAL WITHIN COUNTY:	107	1080
CASCADE COUNTY	38	293
BELT	5	36
CASCADE	4	25
GREAT FALLS	104	1512
NEIHART	1	3
TOTAL WITHIN COUNTY:	152	1869
YELLOWSTONE COUNTY	28	266
BILLINGS	133	1955
BROADVIEW	2	3
LAUREL	10	150
TOTAL WITHIN COUNTY:	173	2374
MISSOULA COUNTY	52	457
MISSOULA	78	990
TOTAL WITHIN COUNTY:	130	1447
LEWIS & CLARK COUNTY	33	254
EAST HELENA	6	104
HELENA	49	657
TOTAL WITHIN COUNTY:	88	1015
GALLATIN COUNTY	27	151
BELGRADE	12	132
BOZEMAN	39	373
MANHATTAN	4	29
THREE FORKS	5	35
WEST YELLOWSTONE	7	66
TOTAL WITHIN COUNTY:	94	786
FLATHEAD COUNTY	51	519
COLUMBIA FALLS	8	118
KALISPELL	27	467
WHITEFISH	14	167
TOTAL WITHIN COUNTY:	100	1271



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## Chart 5

### Number of Video Gambling Establishments and Machines by County and City

	Number of Establishments	Number of Machines
FERGUS COUNTY	9	31
DENTON	1	4
GRASS RANGE	1	4
LEWISTOWN	15	189
MOORE	1	4
WINIFRED	2	4
TOTAL WITHIN COUNTY:	29	236
POWDER RIVER		
BROADUS	4	30
TOTAL WITHIN COUNTY:	4	30
CARBON COUNTY	10	92
BEARCREEK	1	3
BRIDGER	4	49
FROMBERG	2	3
JOLIET	3	15
RED LODGE	8	82
TOTAL WITHIN COUNTY:	28	244
PHILLIPS COUNTY	4	17
DODSON	2	8
MALTA	11	73
SACO	2	9
TOTAL WITHIN COUNTY:	19	107
HILL COUNTY	11	95
HAVRE	25	337
TOTAL WITHIN COUNTY:	36	432
RAVALLI COUNTY	24	218
DARBY	4	36
HAMILTON	18	252
STEVENSVILLE	5	47
TOTAL WITHIN COUNTY:	51	553
CUSTER COUNTY	3	24
MILES CITY	25	267
TOTAL WITHIN COUNTY:	28	291

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## Chart 5

### Number of Video Gambling Establishments and Machines by County and City

	Number of Establishments	Number of Machines
LAKE COUNTY	16	115
POLSON	15	174
RONAN	6	70
ST IGNATIUS	1	7
TOTAL WITHIN COUNTY:	38	366
DAWSON COUNTY	4	36
GLEN DIVE	15	160
RICHEY	2	5
TOTAL WITHIN COUNTY:	21	201
ROOSEVELT COUNTY	3	31
BAINVILLE	2	34
BROCKTON	1	
CULBERTSON	2	25
FROID	2	12
POPLAR	6	34
WOLF POINT	8	86
TOTAL WITHIN COUNTY:	24	222
BEAVERHEAD COUNTY	12	57
DILLON	18	157
LIMA	3	8
TOTAL WITHIN COUNTY:	33	222
CHOUTEAU COUNTY	4	9
BIG SANDY	3	15
FORT BENTON	8	47
GERALDINE	2	3
TOTAL WITHIN COUNTY:	17	74
VALLEY COUNTY	7	47
GALSGOW	12	106
NASHUA	3	11
OPHEIM	2	8
FORT PECK	1	10
TOTAL WITHIN COUNTY:	25	182



# Appendix A

## Chart 5

### Number of Video Gambling Establishments and Machines by County and City

	Number of Establishments	Number of Machines
TOOLE COUNTY	6	19
KEVIN	2	8
SHELBY	13	112
SUNBURST	2	5
TOTAL WITHIN COUNTY:	23	144
BIG HORN COUNTY	3	20
HARDIN	10	126
TOTAL WITHIN COUNTY:	13	146
MUSSELSHELL COUNTY	2	9
MELSTONE	1	2
ROUNDUP	9	77
TOTAL WITHIN COUNTY:	12	88
BLAINE COUNTY	3	8
CHINOOK	8	62
CITY OF HARLEM	3	38
TOTAL WITHIN COUNTY:	14	108
MADISON COUNTY	16	51
ENNIS	4	42
SHERIDAN	3	12
TWIN BRIDGES	2	7
VIRGINIA CITY	1	12
TOTAL WITHIN COUNTY:	26	124
PONDERA COUNTY	4	27
CONRAD	8	57
VALIER	2	11
TOTAL WITHIN COUNTY:	14	95
RICHLAND COUNTY	4	20
FAIRVIEW	4	35
SIDNEY	14	143
TOTAL WITHIN COUNTY:	22	198
POWELL COUNTY	8	40
DEER LODGE	11	132
TOTAL WITHIN COUNTY:	19	172

# Appendix A

## Chart 5

### Number of Video Gambling Establishments and Machines by County and City

	Number of Establishments	Number of Machines
ROSEBUD COUNTY	9	75
FORSYTH	9	70
COLSTRIP	4	54
TOTAL WITHIN COUNTY:	22	199
ANACONDA/DEERLODGE COUNTY	39	331
TOTAL WITHIN COUNTY:	39	331
TETON COUNTY	6	19
CHOTEAU	8	41
DUTTON	2	6
FAIRFIELD	4	27
TOTAL WITHIN COUNTY:	20	93
STILLWATER COUNTY	9	84
COLUMBUS	5	80
TOTAL WITHIN COUNTY:	14	164
TREASURE COUNTY		
HYSHAM	1	2
TOTAL WITHIN COUNTY:	1	2
SHERIDAN COUNTY	6	39
MEDICINE LAKE	2	12
OUTLOOK	1	2
PLENTYWOOD	8	82
WESTBY	1	12
TOTAL WITHIN COUNTY:	18	147
SANDERS COUNTY	13	106
HOT SPRINGS	3	17
PLAINS	5	68
THOMPSON FALLS	5	50
TOTAL WITHIN COUNTY:	26	241
JUDITH BASIN COUNTY	5	14
HOBSON	2	5
STANFORD	4	13
TOTAL WITHIN COUNTY:	11	32



# Appendix A

## Chart 5

### Number of Video Gambling Establishments and Machines by County and City

	Number of Establishments	Number of Machines
DANIELS COUNTY	2	8
FLAXVILLE	2	10
SCOBEY	5	44
TOTAL WITHIN COUNTY:	9	62
GLACIER COUNTY		
CUT BANK	12	143
TOTAL WITHIN COUNTY:	12	143
FALLON COUNTY	1	2
BAKER	7	68
TOTAL WITHIN COUNTY:	8	70
SWEET GRASS COUNTY	2	21
BIG TIMBER	6	45
TOTAL WITHIN COUNTY:	8	66
MCCONE COUNTY	2	5
CIRCLE	4	15
TOTAL WITHIN COUNTY:	6	20
CARTER COUNTY	1	2
EKALAKA	2	15
TOTAL WITHIN COUNTY:	3	17
BROADWATER COUNTY	5	43
TOWNSEND	9	75
TOTAL WITHIN COUNTY:	14	118
WHEATLAND COUNTY	4	30
HARLOWTON	5	36
JUDITH GAP	2	5
TOTAL WITHIN COUNTY:	11	71
PRAIRIE COUNTY	1	
TERRY	2	13
TOTAL WITHIN COUNTY:	3	13
GRANITE COUNTY	3	11
DRUMMOND	2	15
PHILIPSBURG	5	33
TOTAL WITHIN COUNTY:	10	59

APPENDIX

**A**



# Appendix A

## Chart 5

### Number of Video Gambling Establishments and Machines by County and City

	Number of Establishments	Number of Machines
MEAGHER COUNTY	4	9
WHITE SULPHUS SPRINGS	5	37
TOTAL WITHIN COUNTY:	9	46
LIBERTY COUNTY	1	3
CHESTER	3	25
TOTAL WITHIN COUNTY:	4	28
PARK COUNTY	16	109
CLYDE PARK	2	8
LIVINGSTON	23	177
TOTAL WITHIN COUNTY:	41	294
GARFIELD COUNTY	1	2
JORDAN	2	10
TOTAL WITHIN COUNTY:	3	12
JEFFERSON COUNTY	8	77
BOULDER	4	40
WHITEHALL	6	46
TOTAL WITHIN COUNTY:	18	163
WIBAUX COUNTY		
WIBAUX	3	32
TOTAL WITHIN COUNTY:	3	32
GOLDEN VALLEY COUNTY	1	5
RYEGATE	2	9
TOTAL WITHIN COUNTY:	3	14
MINERAL COUNTY	11	145
ALBERTON	3	19
SUPERIOR	6	67
TOTAL WITHIN COUNTY:	20	231
PETROLEUM COUNTY		
WINNETT	2	5
TOTAL WITHIN COUNTY:	2	5



# Appendix A

## Chart 5

### Number of Video Gambling Establishments and Machines by County and City

	Number of Establishments	Number of Machines
LINCOLN COUNTY	22	174
EUREKA	4	34
LIBBY	15	202
REXFORD	1	8
TROY	7	71
TOTAL WITHIN COUNTY:	49	489
<b>Total Within State</b>	<b>1,727</b>	<b>17,239</b>

# Appendix B

## Gambling License and Permit Statistics



# Appendix B

## Chart 1

### Gambling Licenses

#### Gambling Operator's Licenses

TYPE OF LICENSE	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>
STANDARD	1,609	1,588	1,596	1,594
PROVISIONAL	0	0	0	0
CONDITIONAL	87	89	96	96
PROBATIONARY	24	24	17	10
<b>TOTAL</b>	<b>1,720</b>	<b>1,701</b>	<b>1,709</b>	<b>1,700</b>

#### Manufacturer/Distributor/Route Operator Licenses

TYPE OF LICENSE	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>
MANUFACTURER	4	3	3	3
DISTRIBUTOR	2	0	1	2
ROUTE OPERATOR	76	71	78	70
MANUFACTURER/DISTRIBUTOR	9	7	7	7
DISTRIBUTOR/ROUTE OPERATOR	11	12	11	11
MANUFACTURER/DISTRIBUTOR/ROUTE OPERATOR	3	4	4	4
MANUFACTURER OF ILLEGAL DEVICES	3	2	1	3
MANUFACTURER OF LEGAL/ILLEGAL/DIST./ROUTE OP.	0	1	0	1
<b>TOTAL</b>	<b>108</b>	<b>100</b>	<b>105</b>	<b>101</b>

#### Miscellaneous Gambling Licenses

	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>
DEALERS	214	220	208	375
CARD ROOM CONTRACTORS	30	32	31	29
ANTIQUE SLOT MACHINE DEALERS	8	7	6	6

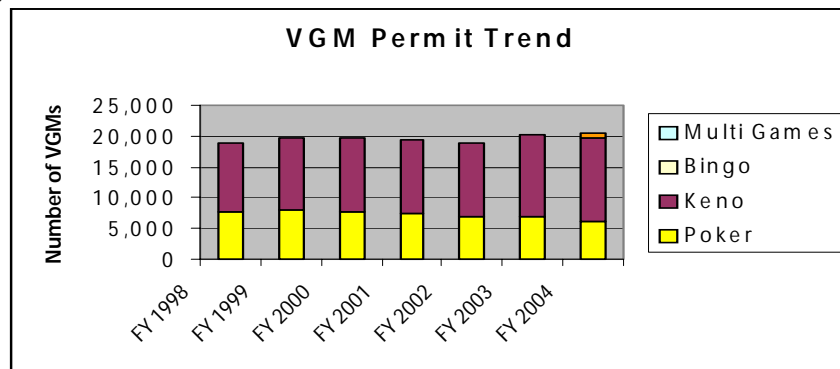
# Appendix B

## Chart 2

### Gambling Permits

**Video Gambling Machine Permits Issued by Machine Type**

TYPE OF LICENSE	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
POKER	7,776	7,898	7,697	7,370	6,865	6,832	6,248
KENO	11,174	11,751	11,878	12,100	13,999	14,012	13,397
BINGO	1	0	0	0	0	1	0
MULTI GAMES	0	0	0	0	0	0	865
<b>TOTAL</b>	<b>18,951</b>	<b>19,649</b>	<b>19,575</b>	<b>19,470</b>	<b>20,864</b>	<b>20,844</b>	<b>20,510</b>



**Number of Live Bingo and Keno Permits Issued**

TYPE OF LICENSE	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
<b>COMMERCIAL ORG.</b>							
BINGO	38	40	40	30	28	27	27
KENO	33	29	27	26	24	22	20
BINGO/KENO	7	5	4	5	5	2	2
<b>SUBTOTAL</b>	<b>78</b>	<b>74</b>	<b>71</b>	<b>61</b>	<b>57</b>	<b>51</b>	<b>49</b>
<b>EXEMPT ORG.</b>							
BINGO	59	55	47	46	49	48	43
KENO	1	1	1	0	0	0	0
BINGO/KENO	1	1	1	1	0	1	1
<b>SUBTOTAL</b>	<b>61</b>	<b>57</b>	<b>49</b>	<b>47</b>	<b>49</b>	<b>49</b>	<b>44</b>
<b>TOTAL</b>	<b>61</b>	<b>131</b>	<b>120</b>	<b>108</b>	<b>106</b>	<b>100</b>	<b>93</b>



# Appendix B

## Chart 3

### Gambling Permit Revenue

#### Live Bingo and Keno Permit Fee Revenues

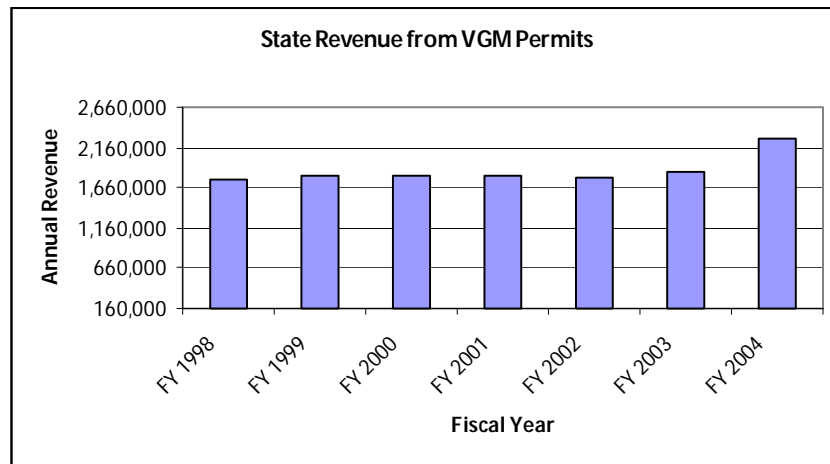
TYPE OF GAME	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
BINGO	\$10,125	\$11,000	\$10,875	\$7,500	\$7,000	\$6,750	\$6,750
KENO	8,250	7,500	6,750	6,500	5,250	5,500	5,000
BINGO/KENO	1,750	1,625	1,125	1,250	1,250	500	500
<b>TOTAL</b>	<b>\$20,125</b>	<b>\$20,125</b>	<b>\$18,750</b>	<b>\$15,250</b>	<b>\$13,500</b>	<b>\$12,750</b>	<b>\$12,250</b>

#### Live Card Table Permit Fee Revenues

Fees Collected:	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
AMOUNT COLLECTED	\$69,000	\$64,500	\$66,750	\$59,250	\$55,000	\$58,750	\$66,500
<b>DISTRIBUTIONS:</b>							
To LOCAL GOVT.	45,600	43,100	44,750	38,700	36,300	38,850	41,100
To STATE	23,400	21,400	22,000	20,550	18,700	19,900	25,400

#### Video Gambling Machine Permit Fee Revenues

Fees Collected:	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
AMOUNT COLLECTED	\$3,541,950	\$3,608,150	\$3,622,600	\$3,624,150	\$3,573,750	\$3,733,050	\$4,146,437
<b>DISTRIBUTIONS:</b>							
To LOCAL GOVT.	1,770,975	1,804,075	1,811,300	1,812,075	1,786,875	1,866,525	1,880,800
To STATE	1,770,975	1,804,075	1,811,300	1,812,075	1,786,875	1,866,525	2,265,637



# Appendix C

## General Gambling Information

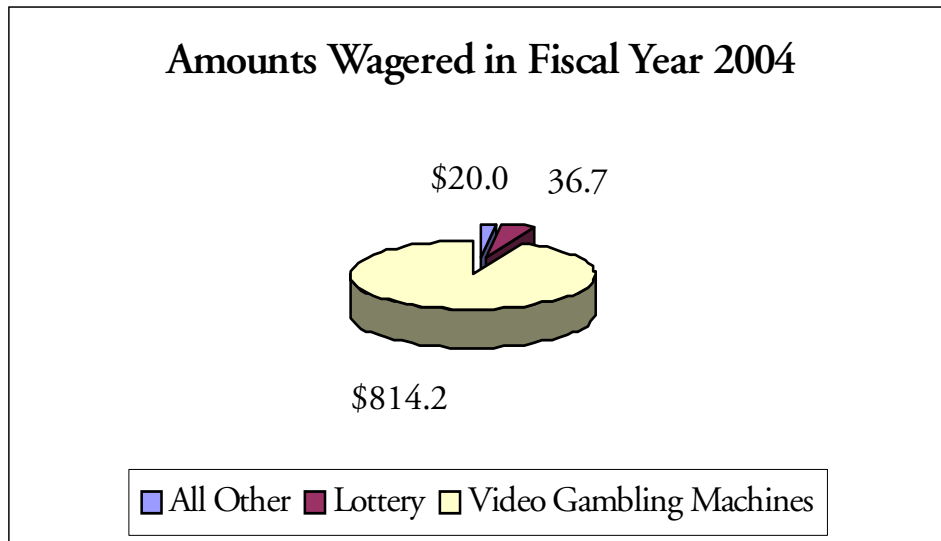


# Appendix C

## Chart 1

### Amounts Wagered on Gambling Activities

<i>FISCAL YEAR</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
LIVE HORSE RACING	\$2.3	\$2.1	\$1.8	\$1.8	<b>\$2.2</b>
SIMULCAST RACING	8.2	6.5	7.8	9.5	7.5
COMMERCIAL LIVE KENO	3.5	3.8	3.8	3.5	<b>2.9</b>
COMMERCIAL LIVE BINGO	6.8	6.7	6.3	5.2	<b>4.8</b>
LOTTERY	29.9	30.4	33.6	34.7	<b>36.7</b>
VIDEO GAMBLING MACHINES	\$658.0	\$672.9	\$708.1	\$750.1	<b>\$814.2</b>
TOTAL AMOUNTS WAGERED	\$708.7	\$722.4	\$761.4	\$804.8	<b>\$868.3</b>





# Appendix C

## Chart 2

### Distribution of Gambling Revenue for Fiscal Year 2004

REVENUE SOURCE	TOTAL COLLECTED	LOCAL GOVT.	GCD	GENERAL FUND
VGM GROSS INCOME TAX	\$50,074,435	\$0	\$50,074,435	
VGM PERMIT SURCHARGE	\$273,275	\$0	\$273,275	
LIVE BINGO & KENO TAX	\$18,769	\$18,769	\$0	\$0
SPORTS TAB TAX	\$727	\$0	\$727	\$0
VGM PERMIT FEES	\$4,146,438	\$1,880,800	\$2,265,638	\$0
FINES/PENALTIES	\$142,363	\$71,182	\$0	\$71,181
LAB TEST FEES	\$74,606	\$0	\$74,606	\$0
BINGO & KENO PERMIT FEES	\$12,625	\$0	\$12,625	\$0
CARD TABLE PERMIT FEES	\$66,500	\$41,100	\$25,400	\$0
CASINO NIGHT PERMIT FEES	\$575	\$0	\$575	\$0
ANTIQUE SLOT DEALER	\$0	\$0	\$0	\$0
OPERATOR LICENSE FEES	\$119,031	\$0	\$119,031	\$0
CARD DEALER LICENSE FEES	\$18,496	\$0	\$18,496	\$0
CARD ROOM CONTRACTOR FEES	\$4,800	\$0	\$4,800	\$0
CARD TOURNAMENT FEES	\$1,360	\$0	\$1,360	\$0
MANUFACTURER LICENSE FEES	\$112,259	\$0	\$112,259	\$0
<b>TOTALS</b>	<b>\$55,066,259</b>	<b>\$2,011,851</b>	<b>\$2,635,517</b>	<b>\$50,418,891</b>
<b>PERCENT OF TOTAL</b>	<b>100.00%</b>	<b>3.65%</b>	<b>4.79%</b>	<b>91.56%</b>

